Financial Week Newsletter

July 19, 2021

SMITH SHELLNUT WILSON

INVESTMENT COUNSEL AND MANAGEMENT

. . .as summarized by Smith Shellnut Wilson

SSW Research Department
Office: (601) 605-1776
Email: rayt@ssw1776.com
Website: www.ssw1776.com

Equity Markets

- U.S. equity indexes tumbled last week as the spread of the delta variant cast a pall over the global economic recovery.

	7/9 Close	7/16 Close	Price Change
Dow Jones	34,870	34,688	Down 0.5%
S&P 500	4,370	4,327	Down 1.0%
NASDAQ	14,702	14,427	Down 1.9%
KBW Bank Index	124.46	121.43	Down 2.4%

Financials

- Regulators closed no additional banks last week; year-to-date closures remain at zero.
- Wells Fargo is shutting down all existing personal lines of credit and is not offering the consumer lending product anymore, preferring to focus on credit cards and personal loan products to meet consumer needs, according to a report last week by CNBC; the move comes a year after the bank suspended home equity loans, given the economic uncertainty fueled by the COVID-19 pandemic.
- Wells Fargo swung to a profit in the second quarter, smashing Wall Street expectations, as it released $1.6 billion in funds it had set aside for potential loan losses; the lender also had more room to cut costs in the quarter as expenses tied to its years-old sales practices scandal stabilized, although it struggled with slowing loan growth.
- JPMorgan and Goldman Sachs also beat second-quarter earnings estimates even as both saw trading revenue come off of lofty first-quarter results.
- Citigroup beat second-quarter revenue and profit estimates despite weaknesses in its fixed-income and credit-card divisions, while Bank of America struggled to build back its lending income in the second quarter as consumers, flush with cash from government stimulus programs, avoided taking on new borrowings.

Credit Markets

- The rally in Treasuries continued last week, sending 10-year yields to the lowest since February.

	7/9 Close	7/16 Close	Yield Change
3-month Tsy	0.05%	0.05%	Unchanged
2-year Tsy	0.22%	0.22%	Unchanged
5-year Tsy	0.79%	0.78%	Down 1 bp
10-year Tsy	1.36%	1.29%	Down 7 bps

Treasury/Fed/Administration/Congress

- Federal Reserve Chair Jerome Powell, in prepared remarks before the House Financial Services Committee last week, said that the U.S. economic recovery still hasn't progressed enough to begin scaling back the central bank's massive monthly securities purchases, while adding that inflation is likely to remain high in coming months before moderating.
- Federal Reserve Bank of St. Louis President James Ballard in a Bloomberg Television interview last week said that the central bank has met its goal of achieving "substantial further progress" on both inflation and employment, urging policy makers to move forward in reducing stimulus by tapering their program of asset purchases.

Economy

- Prices paid by U.S. consumers surged in June by the most since 2008, topping all forecasts and showing that higher costs associated with the economy's reopening continue to fuel inflationary pressures; the consumer price index jumped 0.9% in June and 5.4% from the same month last year, while core prices rose 4.5% on a year-over-year basis, according to Labor Department data released last week.
- U.S. producer prices surged in June by 7.3% on a year-over-year basis, the largest increase in 10½ years, suggesting that inflation could remain high for some time as robust demand fueled by the economy's rapid recovery from the COVID-19 pandemic strains the supply chain.
- New weekly jobless claims fell to 360,000 in the latest reporting week, the lowest level since March 2020, closing back in on pre-pandemic levels as the rate of joblessness slowed further.
- U.S. import prices rose a solid 1.0% in June, after surging 1.4% in May, as bottlenecks in the global supply chain persisted, the latest indication that inflation could remain elevated, at least over the near term.
- The modest 0.4% increase in industrial production in June was due to a weather-related spike in utilities demand and a recovery in mining output, with manufacturing output declining, dragged down by another decline in automobile production.
- U.S. retail sales rose unexpectedly in June, reflecting broad gains across spending categories and wrapping up a solid quarter for household demand; the value of overall purchases advanced 0.6% last month following a downwardly revised 1.7% drop in May.
- U.S. consumer sentiment unexpectedly declined to a five-month low in early July as mounting concerns over rising prices led to a sharp deterioration in buying conditions for big-ticket items.
- Confidence among U.S. home builders pulled back in July to an 11-month low as builders contend with elevated materials prices and ongoing supply shortages, according to a National Association of Homebuilders/Wells Fargo report released last week.

This Week

Economic data scheduled to be released this week include existing home sales and housing starts.

Quote

"Everything is in a state of flux, including the status quo."

-- Robert Byrne

Smith Shellnut Wilson, LLC
661 Sunnybrook Road, Suite 130
Ridgeland, MS 39157-1813
Office: (601) 605-1776
Fax: (601) 605-1710
Website: www.ssw1776.com

The source for the information above is Bloomberg News unless otherwise noted.